

SOUTHWEST LOUISIANA AIDS COUNCIL

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

Year Ended December 31, 2012

SOUTHWEST LOUISIANA AIDS COUNCIL
LAKE CHARLES, LOUISIANA

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Independent Auditors' Report

Board of Directors
Southwest Louisiana AIDS Council
Lake Charles, Louisiana

We have audited the accompanying financial statements of the Southwest Louisiana AIDS Council (a non-profit organization), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents. The prior year summarized comparative information has been derived from the Organization's 2011 financial statements and, in our report dated June 27, 2012, we express an unqualified opinion on those financial statements.

Managements Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit the financial statements referred to above present fairly, in all material respects, the respective financial position of the Southwest Louisiana AIDS Council, as of December 31, 2012, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Southwest Louisiana AIDS Council's basic financial statements. The Schedule of Expenditures of Federal Awards as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2013, on our consideration of the Southwest Louisiana AIDS Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Southwest Louisiana AIDS Council's internal control over financial reporting and compliance.

McMullen and Mancuso, CPAs, LLC

McMullen and Mancuso CPAs

June 26, 2013

Southwest Louisiana AIDS Council

STATEMENT OF FINANCIAL POSITION

**December 31, 2012
with Comparative Totals for 2011**

ASSETS

	<u>2012</u>	<u>2011</u>
CURRENT ASSETS		
Cash and Cash Equivalents (Note I)	\$ 113,244	\$ 94,145
Cash Restricted For Capital Projects (Note L)	11,532	10,836
Grants Receivable (Note J)	100,676	118,665
Other Receivable	3,093	-
Pre-Paid Rent	1,000	-
Other Current Assets	2,805	1,423
Pre-Paid Federal Income Tax	925	5,837
Deferred Tax Asset - Federal	3,187	2,899
Deferred Tax Asset - State	697	600
Total Current Assets	<u>237,159</u>	<u>234,405</u>
 PROPERTY AND EQUIPMENT (Note K)		
Equipment	2,511	2,511
Leasehold Improvements	116,513	116,513
Office Equipment	28,814	22,555
Less Accumulated Depreciation	<u>(85,478)</u>	<u>(72,203)</u>
Total Property and Equipment	62,360	69,376
 Total Assets	<u><u>\$ 299,519</u></u>	<u><u>\$ 303,781</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Payroll Tax Payable	\$ 2,931	\$ 6,975
State Income Tax Payable	1,250	1,462
Compensated Absences Payable	11,937	10,959
Accounts Payable	26,417	16,828
Deferred Support (Note F)	<u>71,788</u>	<u>87,458</u>
Total Current Liabilities	114,323	123,682
 Total Liabilities	114,323	123,682
 NET ASSETS		
Unrestricted	173,664	169,263
Temporarily Restricted (Note L)	<u>11,532</u>	<u>10,836</u>
Total Net Assets	<u>185,196</u>	<u>180,099</u>
 Total Liabilities and Net Assets	<u><u>\$ 299,519</u></u>	<u><u>\$ 303,781</u></u>

The accompanying notes are an integral part of these statements.

Southwest Louisiana AIDS Council

STATEMENT OF ACTIVITIES

For The Year Ended December 31, 2012
with Comparative Totals for 2011

	2012			2011
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	TOTAL
REVENUE, GAINS AND OTHER SUPPORT				
Government Grants	\$ 1,063,671	\$ -	\$ 1,063,671	\$ 937,511
Contributions	35,915	3,694	39,609	35,816
Non-Government Grants	101,250	-	101,250	133,514
Interest Income	368	-	368	1,435
Miscellaneous Income	509	-	509	80
Bingo Revenues	328,734	-	328,734	346,498
Fund-Raising/Special Events	21,016	-	21,016	17,696
Income Tax Benefit - Deferred	384	-	384	500
Total Revenues and Gains	1,551,847	3,694	1,555,541	1,473,050
Net Assets Released From Restrictions	5,498	(2,998)	2,500	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	1,557,345	696	1,558,041	1,473,050
EXPENSES AND LOSSES				
Program Service - Community Services	1,093,085	-	1,093,085	1,021,623
Management and General	201,692	-	201,692	274,727
Fund-Raising/Special Events	15,346	-	15,346	15,826
Bingo	268,659	-	268,659	268,487
TOTAL EXPENSES AND LOSSES	1,578,782	-	1,578,782	1,580,663
CHANGE IN NET ASSETS	(21,437)	696	(20,741)	(107,613)
NET ASSETS AT BEGINNING OF YEAR AS ORIGINALLY REPORTED	169,263	10,836	180,099	280,444
PRIOR PERIOD ADJUSTMENT	25,838	-	25,838	7,268
NET ASSETS AT BEGINNING OF YEAR AS RESTATED	195,101	10,836	205,937	287,712
NET ASSETS AT END OF YEAR	\$ 173,664	\$ 11,532	\$ 185,196	\$ 180,099

The accompanying notes are an integral part of these statements.

Southwest Louisiana AIDS Council
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2012
with Comparative Totals for 2011

	Program Services	Supporting Services			Total Program and Supporting Service Expense	
		Management and General	Fund Raising	Bingo	2012	2011
		2012				
Advertising	\$ 3,333	\$ 1,459	\$ 3,653	\$ 8,100	\$ 16,545	\$ 9,415
Bank Fees	333	187	68	568	1,156	711
Client Assistance	332,783	-	3,707	-	336,490	369,325
Donations - Other Nonprofits	14,499	-	-	-	14,499	25,629
Gaming Fees	-	-	-	59,767	59,767	61,192
Income Tax Expenses - Current	-	-	-	6,325	6,325	7,245
Insurance	980	10,440	-	-	11,420	11,415
Interest Expense	-	737	-	-	737	191
Miscellaneous	223	4,721	-	-	4,944	3,041
Office Supplies	-	-	150	736	886	2,140
Payroll and Fringe Expense	58,400	17,007	-	3,940	79,347	113,173
Postage	2,065	2,094	17	-	4,176	4,459
Printing and Publications	7,570	215	-	-	7,785	227
Professional Fees:						
Accounting	-	11,331	-	2,455	13,786	16,108
Billing Service	473	-	-	-	473	436
Contract Labor	63,146	16,588	-	-	79,734	60,680
Consulting	14,833	-	-	-	14,833	13,500
Program Food & Beverage	10,761	1,062	106	-	11,929	4,369
Program Incentives	42,550	-	-	-	42,550	19,993
Program Supplies	11,038	-	-	-	11,038	2,224
Rent and Occupancy	11,384	25,485	-	70,400	107,269	101,534
Rental and Maintenance	8,193	3,463	-	-	11,656	7,499
Salaries and Benefits	471,328	99,809	-	63,000	634,137	625,619
Security	-	-	-	7,800	7,800	7,950
Sponsored Events	446	-	3,853	-	4,299	8,740
Supplies	9,494	1,239	140	34,731	45,604	57,397
Taxes and Licenses	760	20	1,150	10,837	12,767	7,032
Telephone	3,123	4,085	-	-	7,208	9,530
Travel and Transportation	12,345	882	1,923	-	15,150	12,784
Total Before Depreciation and Other Expense	1,080,060	200,824	14,767	268,659	1,564,310	1,563,558
Depreciation	12,917	861	574	-	14,352	14,859
Loss on Disposal of Assets	108	7	5	-	120	2,246
TOTAL EXPENSES	\$ 1,093,085	\$ 201,692	\$ 15,346	\$ 268,659	\$ 1,578,782	\$ 1,580,663

Southwest Louisiana AIDS Council

STATEMENT OF CASH FLOWS

**For The Year Ended December 31, 2012
with Comparative Totals for 2011**

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (20,741)	\$ (107,613)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided (Used) by Operating Activities:		
Depreciation	14,352	14,859
Loss on Disposal of Equipment	120	2,245
(Increase) Decrease in Operating Assets		
Grants Receivable	17,989	(19,762)
Deferred Tax Assets	(385)	(500)
Pre-Paid Federal Income Tax	4,912	(5,837)
Other Assets	(1,382)	1,147
Other Receivable	(3,093)	-
Pre-Paid Rent	(1,000)	-
(Increase) Decrease in Operating Liabilities		
Accounts Payable	13,053	9,540
Deferred Support	(15,670)	2,336
Payroll Tax Payable	(4,044)	(4,252)
Accrued Wages	978	(1,203)
State Income Tax Payable	22,162	(1,600)
Net Cash Provided (Used) by Operating Activities	27,251	(110,640)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for Property, Equipment and Improvements	(7,456)	(4,135)
Redemption of Certificates of Deposits	-	50,382
Net Cash Provided (Used) by Investing Activities	(7,456)	46,247
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of Line of Credit	-	(37,000)
Net Cash Provided (Used) by Financing Activities	-	(37,000)
Net Increase (Decrease) in Cash and Cash Equivalents	19,795	(101,393)
Cash and Cash Equivalents, Beginning of Year	104,981	206,374
Cash and Cash Equivalents, End of Year	\$ 124,776	\$ 104,981
 Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Year For Interest	\$ 737	\$ 191
Income Tax Paid During the Year	\$ 6,000	\$ 11,620

The accompanying notes are an integral part of these statements.

Southwest Louisiana AIDS Council

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Southwest Louisiana AIDS Council have been prepared on the accrual basis and in conformity with the standards promulgated by the American Institute of Certified Public Accountants in its audit guide for voluntary health and welfare organizations.

1. Organization and Purpose

Southwest Louisiana AIDS Council (SLAC) is a 501(c)(3) Louisiana non-profit corporation founded in 1987 whose mission is: To provide education to the public about HIV/AIDS prevention and to provide services to those affected (both directly and indirectly) by the disease. Services are provided to persons regardless of sex, race, religion, creed, country of origin, sexual orientation, status of health, marital status or political ideology. SLAC serves the residents of five parishes whose combined population is approximately 300,000.

SLAC's educational efforts include: presentations, in-services and workshops, to a wide variety of agencies, organizations, prisons' addictive disorders programs, churches, etc. The Teen Prevention component offers workshops and teaches the Becoming a Responsible Teen (BART) course to area youth-particularly teens involved with the juvenile justice system. BART has been recommended by the Center for Disease Control (CDC) as one of the top five HIV prevention programs for African-American youth in the United States. Free brochure and other materials about HIV/AIDS are provided to the public through the SLAC office, health fairs and all presentations

Prevention activities include: one-on-one street outreach, venue-based outreach, free confidential HIV counseling and testing, and a condom availability program with 90 area businesses and agencies participating. The prevention team makes over 4,500 contracts each quarter; and does mobile testing throughout the five parish area on a monthly or semi-quarterly basis. Minority populations who are at high risk for HIV disease; men who have sex with men, youth, and high risk heterosexuals are specifically targeted for prevention activities.

Services to those living with HIV/AIDS include: case management, support groups, food pantry assistance with transportation, medications, emergencies, housing, and utilities, plus eye and dental care and a buddy/companion program. SLAC is the lead agency for the Region V HIV Consortium in administering the Ryan White Care Act and HOPHA funds.

2. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Southwest Louisiana AIDS Council

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

4. Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Organization considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

5. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

6. Property and Equipment

Donated fixed assets are recorded as support at their estimated fair value at the date of donation; all other fixed assets are recorded at cost. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Depreciation amounted to \$14,352 for the year ended December 31, 2012, based on an estimated useful life of five (5) years for furniture, fixtures, and equipment and fifteen (15) years for leasehold improvements. Maintenance, repair costs, and minor replacements are charged to expense as incurred. The Organization maintains a capitalization threshold of \$500.

7. Concentration of Revenue and Support

A majority of the revenue for the Organization's programs is provided by bingo revenues (21%) and government grants (68%). If the Organization no longer held the bingo sessions, or there were significant reductions in amounts received by government grants, the operations of the Organization could be adversely impacted.

8. Public Support and Revenue

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily restricted or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Temporarily restricted contributions are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Investments

Investments in marketable equity securities with readily determinable fair values are stated at fair market value. Donated investments are reflected as contributions at their market values at date of receipt. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

10. Advertising Costs

Advertising costs are charged to operations when incurred. For the year ended December 31, 2012, the Organization incurred advertising costs of \$16,545.

11. Contributed Services

During the year ended December 31, 2012, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. SLAC pays for most services requiring specific expertise. In addition, many individuals volunteer their time and perform a variety of tasks that assists the Organization, but these services do not meet the criteria for recognition as contributed services.

12. Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2011, from which the summarized information was derived.

Note B – Fair Values of Financial Instruments

The following methods and assumptions were used by the Organization in estimating its fair value disclosures for financial instruments:

Cash, cash equivalents, short-term unconditional promises to give, and note payable: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

Short-term investments: The fair value of investments is based on quoted market prices for those similar investments.

Note C – Functional Allocation of Expenses

Expenses were allocated in the accompanying financial statements to program and support services functional expense groups. The methods of allocation were based on the Organization's estimates of the relative proportion of various staff members' time and effort between program and support services as well as the Organization's estimates of the amount of each expense utilized for program or support service functions.

Southwest Louisiana AIDS Council

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012**

Note D – Income Taxes

The Organization was incorporated under the laws of the state of Louisiana. The Organization is operated exclusively for charitable services and has qualified for the exemption from Federal income taxes under Section 501 (c) (3) of the Internal Revenue Code. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509 (a) of the Code. The Organization is subject to income tax on unrelated business income which includes the net pull tab profit received from the bingo operations. Income tax amounted to \$6,325 for the year ended December 31, 2012. Deferred tax assets exist due to the timing difference for the deductibility of charitable contributions which are limited to 10% of taxable income. Charitable contributions carryover of \$22,495 originated in years 2010 thru 2012 and will expire if not used in 2015 thru 2017. No valuation allowance has been recognized.

Note E – Retirement Plan

The Organization participated in a defined contribution retirement plan that covers all full-time employees fulfilling the eligibility requirements set by the plan underwriter (New York Life Insurance Company). Contributions to the plan were four percent (4%) of gross wages and amounted to \$5,632 for the year ended December 31, 2012. The Organization suspended contributions to the plan in May 2012 due to budgetary concerns. This amount is included in payroll and fringe expense on the Statement of Functional Expenses.

Note F – Deferred Revenue

The Organization received several non-government grants in which the grant periods began in 2012 and extend to 2013. This revenue amounted to \$70,788 for the year ended December 31, 2012. The Organization also received \$1,000 in 2012 for its 2013 Dining Out For Life fundraiser. These receipts are reported as deferred items until the event takes place and/or the grant period ends.

Note G – Compensated Absences

Annual and sick leave is earned by each full-time and each part-time associate, temporary employee's are not entitled to annual paid leave or sick leave. Employees of the Agency may accumulate from 5 to 20 days of annual leave, depending on their length of service. Annual leave for the preceding year must be used within three months following the completion of the year of its accrual. Failure to use the annual leave by this date results in the employee's forfeiture of the unused amount of annual leave. Employees may accumulate 10 days of sick leave each year, depending on their length of service. (Any unused accumulated sick leave is forfeited by the employee at their time of resignation or retirement).

Note H – Leases

The Organization conducts its bingo sessions at a facility owned by Texas Pelican Bingo. Rent is paid to Texas Pelican Bingo for each bingo session held. Rent expense for the year ended December 31, 2012 was \$70,400.

In addition, the Organization entered into a five-year lease agreement with the Ribbons of Hope Trust on August 5, 2001, beginning August 3, 2001 through August 2, 2006, with an optional continuance on ten (10) consecutive renewal terms, which consists of five (5) year periods for the rental of office space. The annual rent for the office facility is \$14,100, to be paid monthly at \$1,175 per month. The amount of rent paid for the year ended December 31, 2012 was \$14,100.

On June 8, 2012, the Organization entered into a one (1) year monthly lease agreement, beginning June 1, 2012 thru June 1, 2013, with Liberty Plaza Properties for the rental of office space for the

Southwest Louisiana AIDS Council

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012

Note H – Leases (continued)

Wyman Teen Outreach Prevention Program (TOP). The annual rent for the office facility is \$12,000, to be paid monthly at \$1,000 per month. The amount of rent paid for the year ended December 31, 2012 was \$ 7,000.

Note I – Cash and Cash Equivalents

The Organization maintains the following cash accounts:

	December 31, 2012	December 31, 2011
Operating Accounts	\$ 80,575	\$ 26,009
Operating - Gaming Accounts	19,830	53,173
Merrill Lynch Money Market- Gaming	429	508
Cash on Hand - Gaming	11,899	14,135
Petty Cash Accounts	511	320
	<u>\$ 113,244</u>	<u>\$ 94,145</u>

Note J – Grants Receivable

Grants receivable consisted of amounts due from state agencies and various federal agencies passed through the State of Louisiana, Department of Health and Hospitals. The balance at December 31, 2012 was \$100,676 and \$118,665 at December 31, 2011.

Note K – Fixed Assets

Additions and deletions to property and equipment for the year ended December 31, 2012 were as follows:

	Balance January 1,	Additions	Deletions	Balance December 31,
Equipment	\$ 2,511	\$ -	\$ -	\$ 2,511
Leasehold Improvements	116,513	-	-	116,513
Office Equipment	22,555	7,456	(1,197)	28,814
Accumulated Depreciation	<u>(72,203)</u>	<u>(14,352)</u>	<u>1,077</u>	<u>(85,478)</u>
Total Capital Assets	<u>\$ 69,376</u>	<u>\$ (6,896)</u>	<u>\$ (120)</u>	<u>\$ 62,360</u>

Southwest Louisiana AIDS Council

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012

Note L – Temporarily Restricted Net Assets/Endowment Fund

Temporarily restricted net assets consist of the John L. Slade endowment fund. Donations, so designated, are to be segregated in a bank account and be utilized for capital projects of the agency.

John L. Slade Endowment Fund

Balance January 1, 2012	\$ 10,836
Contributions received	3,015
Expended for capital improvements	(2,319)
Balance December 31, 2012	<u>\$ 11,532</u>

Note M – Economic Dependence

The Southwest Louisiana AIDS Council receives a substantial amount of its support from the Federal and State governments. Renewal of these grants is subject to approval from year to year. If funding from these Departments were no longer available to the Agency, the operations of the Agency could be adversely impacted.

Note N – Subsequent Event

Subsequent events were evaluated through June 26, 2013, which is the date the financial statements were available to be issued.

Note O - Prior Period Adjustment

The Organization made adjustments to clear prior years' accounts payable as of December 31, 2012. This resulted in an increase of \$3,464 to unrestricted net assets at December 31, 2012. Also, the Organization received credits for the small employer health insurance premiums paid in 2010 and 2011 against the unrelated business taxable income for exempt organizations (Form 990-T) tax, which resulted in an increase of \$22,374 to unrestricted net assets at December 31, 2012.

SUPPLEMENTARY INFORMATION

Southwest Louisiana AIDS Council

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2012

Federal Grantor/Pass-through Grantor/Program Name	1/1/12 - 12/31/12 Grants CFDA Number	Expenditures
Department of Health and Human Services		
Passed-through the State of Louisiana		
Department of Health and Hospitals		
Office of Public Health		
HIV Care Formula Grants (Ryan White)	93.917	\$ 389,164
Department of Housing and Urban Development		
Passed-through the State of Louisiana		
Department of Health and Hospitals		
Office of Public Health		
Housing Opportunities for Persons with AIDS	14.241	132,582
		<u>\$ 521,746</u>

Southwest Louisiana AIDS Council

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2012

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of all federal awards programs of the Southwest Louisiana AIDS Council. The Organization's reporting entity is defined in Note 1 of the notes to the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Note 2 - Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the Organization's basic financial statements.

Note 3 - Relationship to Basic Financial Statements

Federal award revenues are reported in the Organization's basic financial statements as follows:

<u>Federal Sources:</u>	<u>Amount</u>
Department of Health and Human Resources	\$ 389,164
Department of Housing and Urban Development	132,582
	<u>\$ 521,746</u>

Note 4 - Relationship to Federal Financial Reports

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with accounting principles generally accepted in the United States of America.

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

Board of Directors
Southwest Louisiana AIDS Council
Lake Charles, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Southwest Louisiana AIDS Council, which comprise the statement of financial position as of and for the year ended December 31, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 26, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Southwest Louisiana AIDS Council's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Southwest Louisiana AIDS Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Southwest Louisiana AIDS Council's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies [2012-1 and 2012-2].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Southwest Louisiana AIDS Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

MCMULLEN AND MANCUSO, CPAs, LLC

M. Mullen and Mancuso CPAs

June 26, 2013

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Directors
Southwest Louisiana AIDS Council
Lake Charles, Louisiana

Report on Compliance for Each Major Federal Program

We have audited the Southwest Louisiana AIDS Council's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Southwest Louisiana AIDS Council major federal programs for the year ended December 31, 2012. The Southwest Louisiana AIDS Council's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Southwest Louisiana AIDS Council's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Southwest Louisiana AIDS Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Southwest Louisiana AIDS Council's compliance.

Opinion on Each Major Federal Program

In our opinion, the Southwest Louisiana AIDS Council complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Other Matters

The results of our auditing procedures disclosed instances on noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items [2012-1]. Our opinion on each major federal program is not modified with respect to these matters.

Southwest Louisiana AIDS Council's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Southwest Louisiana AIDS Council's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the Southwest Louisiana AIDS Council is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Southwest Louisiana AIDS Council's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Southwest Louisiana AIDS Council's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weakness or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item [2012-1].

Southwest Louisiana AIDS Council responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Southwest Louisiana AIDS Council's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

MCMULLEN AND MANCUSO, CPAs, LLC

McMullen and Mancuso CPAs

June 26, 2013

Southwest Louisiana AIDS Council
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2012

Part I - Summary of the Auditors' Results

Financial Statement Audit

1. The auditors' report expresses an unqualified opinion on the financial statements of the Southwest Louisiana AIDS Council.
2. There were two (2) significant deficiencies in internal control required to be disclosed by *Government Auditing Standards* issued by the Comptroller General of the United States.
3. There were no instances of noncompliance considered material, as defined by the *Government Auditing Standards*, to the financial statement.

Federal Audit

4. There was one (1) significant deficiency in internal control over major federal award programs required to be disclosed by OMB Circular A-133. No material weaknesses are reported.
5. The auditors' report on compliance for the major federal award programs for the Southwest Louisiana AIDS Council expresses an unqualified opinion on all major federal programs.
6. The audit disclosed findings required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The program tested as a major program included:
 - HIV Care Formula Grant – CFDA 93.917
8. The threshold for distinguishing Types A and B programs was 300,000.
9. The Southwest Louisiana AIDS Council was determined to be a low risk auditee as defined by OMB Circular A-133.

Part II - Findings related to financial statements which are required to be reported in accordance with Governmental Auditing Standards generally accepted in the United States of America:

2012-1 Test of Client Files

Criteria or specific requirement:

For an individual to be eligible to receive direct assistance from the Agency, they must have a medical diagnosis of HIV/AIDS and be a low-income individual, as defined by the State of Louisiana. The Organization, as part of its internal controls, has a checklist with the client files to ensure compliance with the federal guidelines and that the individual's income has been verified.

Condition found:

In reviewing forty one (41) client files to ensure the individual qualifies as low-income and has a medical diagnosis of HIV/AIDS, prior to disbursement of assistance, it was noted that two (2) client's income exceeded the threshold amount to qualify for assistance and seven (7) clients had no medical diagnosis of HIV/AIDS.

Effect:

The clients receiving assistance did not meet the definition of a low-income individual and did not have a medical diagnosis of HIV/AIDS in the file.

Southwest Louisiana AIDS Council
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2012

Part II - Findings related to financial statements which are required to be reported in accordance with Governmental Auditing Standards generally accepted in the United States of America (continued):

2012-1 Test of Client Files (continued)

Cause:

The caseworker did not verify the income when the individual applied for assistance at the Organization, or ensure the diagnosis of HIV/AIDS paperwork was in the file.

Recommendation:

The Organization should verify the income of each individual that seeks assistance and establish monitoring procedures to ensure that client files meet federal guidelines.

Views of Responsible Officials and Planned Corrective Actions:

Management is aware of the internal control problem and will take steps to ensure the client file checklist, implemented by the Organization, is utilized. The Organization will implement procedures to verify all required information is in the client file. Contact person is Terry Estes, Executive Director with an anticipated completion date of June 30, 2013.

2012-2 Improve Record Keeping for Program Gift Cards

Criteria or specific requirement:

The Organization purchases gifts cards for use as program incentives in the Teen Outreach Program (TOP). The Organization should have a reconciliation of the gift cards used in the program from the cards on hand to the gift card register to determine that all additions to and distributions of gift cards are correctly recorded and can be accounted for properly.

Condition found:

The Organization maintains a log of the gift cards disbursed at program events, but no reconciliation of the gift cards on hand.

Effect:

The program gift cards are similar to cash in that they are easily susceptible to fraud, and there is no reconciliation or count performed of the gift cards.

Cause:

The Organization did not create or maintain a reconciliation of the program gift cards.

Recommendation:

The Organization should prepare and maintain a reconciliation of program gift cards on hand to gift cards used in the Teen Outreach Program.

Views of Responsible Official and Planned Corrective Action:

While the Organization implemented a register of gift card disbursements, the Executive Director and/or board treasurer will monitor and ensure that the gift cards are reconciled to the general ledger. Contact person is Terry Estes, Executive Director with an anticipated completion date of June 30, 2013.

Southwest Louisiana AIDS Council
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2012

Part III -Findings and questioned costs for federal awards which are required to be reported under OMB Circular No. A-133 Section .510(a):

2012-1 Test of Client Files

Federal program and specific federal award identification:

This finding relates to the HIV Care Formula Grants, Ryan White Part B program, CFDA #93.917, for Federal Award Year 2012 received from the Department of Health and Human Services.

Criteria or specific requirement:

For an individual to be eligible to receive direct assistance from the Agency, they must have a medical diagnosis of HIV/AIDS and be a low-income individual, as defined by the State of Louisiana.

Condition found:

In reviewing forty one (41) client files to ensure to ensure compliance with federal guidelines, it was noted that two (2) client's income exceeded the low-income threshold defined by the Organization, and seven (7) clients had no medical diagnosis of HIV/AIDS in the file.

Effect:

The clients receiving assistance did not meet the definition of a low-income individual and have a medical diagnosis of HIV/AIDS in the file.

Cause:

The auditor was unable to determine the cause.

Recommendation:

The Organization should verify the income of each individual that seeks assistance and have the medical diagnosis of HIV/AIDS, as well as establish monitoring procedures to ensure that client files meet federal guidelines.

Views of Responsible Official and Planned Corrective Action:

The Organization will implement procedures to ensure that verification of income and medical diagnosis on all individuals seeking assistance are in the file to ensure compliance with federal guidelines. Contact person is Terry Estes, Executive Director with an anticipated completion date of June 30, 2013.

Southwest Louisiana AIDS Council

SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended December 31, 2012

Ref No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken
Internal Control and Compliance Material to the Financial Statements:			
2011-1	Unknown	In reviewing client files, it was noted that one (1) client's income to qualify for assistance exceeded the low-income threshold. In addition, two (2) clients had no medical diagnosis of HIV/AIDS in the file.	Unresolved
2011-2	Unknown	In reviewing health insurance expense, it was noted that health insurance premiums were paid for several months on an employee no longer with the Organization.	Resolved
Internal Control and Compliance Material to Federal Awards:			
2011-3	Unknown	In reviewing client files, it was noted that one (1) client's income to qualify for assistance exceeded the low-income threshold. In addition, two (2) client had no medical diagnosis of HIV/AIDS in the file.	Unresolved
Management Letter:			
ML 2011-1	2011	The Organization had small differences between the monthly bank balance and the general ledger amounts.	Resolved
ML 2011-2	2011	The Organization did not prepare an extensive and well documented annual budget for the year ended December 31, 2011.	Resolved
ML 2011-3	2011	While stated in the Organization's personnel manual that no annual or sick leave is earned during an employee's probation period, an employee was paid for annual and sick leave during this time.	Resolved
ML 2011-4	2011	A reconciliation of the gift cards used in the Teen Outreach Program (TOP) from the cards on hand to the gift card register should be prepared to determine that all additions to and distributions of gift cards are correctly recorded and can be accounted for properly.	Unresolved

This schedule is prepared by management.